

Message Text

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PAGE 01 JAKART 11770 300707Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 ICA-11 XMB-02
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DEPT PASS NAC AGENCIES
MANILA FOR USADB

E.O. 11652: N/A
TAGS: EAID, EFIN, ADB, ID
SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE LOAN AND GRANT
FOR SEVEN AIRPORTS IN INDONESIA

REF: MANILA 14636

1. EMBASSY HAS NO INFORMATION THAT WOULD FORM
BASIS FOR UNFAVORABLE NAC CONSIDERATION OF
PROJECT. ADB DOC R79-78 NOT YET RECEIVED BY
MISSION. ON BASIS OF INFORMATION PRESENTED
BELOW, WE RECOMMEND USG SUPPORT.

2. TRANSPORTATION IS KEY ELEMENT IN INDONESIA'S
DEVELOPMENT PLANS AND IMPROVEMENT OF AIR TRANS-
PORT SYSTEM IS ESSENTIAL FOR ECONOMIC GROWTH AND
FOR A MORE EQUITABLE REGIONAL DEVELOPMENT
PATTERN OF COUNTRY. DUE TO ARCHIPELAGIC STRUC-
TURE OF INDONESIA, GOOD AID (AND SEA) COMMUNICATIONS ARE AN
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PAGE 02 JAKART 11770 300707Z

OVERRIDING NEED. DURING CURRENT NATIONAL FIVE-YEAR PLAN,
SPECIAL EMPHASIS HAS BEEN PLACED ON IMPROVEMENT
OF COMMUNICATIONS WITH REMOTE AREAS OF COUNTRY.
FOR MANY SEGMENTS OF INDONESIAN ECONOMY AIR
TRANSPORT IS A NECESSITY SINCE DEVELOPMENT HAS
SPREAD TO ISOLATED AND DISTANT OUTER ISLANDS.

3. AIR TRANSPORTATION HAS INCREASED AND IMPROVED
DRAMATICALLY IN RECENT YEARS. DOMESTIC PASSENGER
TRAFFIC HAS BEEN PROJECTED TO INCREASE AT A 10 PERCENT
ANNUAL RATE DURING CURRENT FIVE-YEAR PLAN (1974-
1979). DOMESTIC CARGO OPERATIONS STIMULATED BY
MAJOR PROJECTS AND INCREASING OUTER ISLAND
DEVELOPMENT ARE EXPECTED TO AVERAGE AN ANNUAL
GROWTH RATE OF 14 PERCENT DURING SAME PERIOD.

4. THE RAPID GROWTH OF AIR TRANSPORTATION INDUSTRY
IN INDONESIA HAS EXCEEDED PLANNED DEVELOPMENT IN
CURRENT FIVE-YEAR PLAN. TO MEET THIS GROWTH, AIR-
PORTS MUST BE UPGRADED. THE SEVEN AIRPORTS TO
BE INCLUDED IN PROJECT ARE SORONG AND JAYAPURA,
IRIAN JAYA; MEDAN, NORTH SUMATRA; PALEMBANG,
SOUTH SUMATRA; PONTIANAK, WEST KALIMANTAN; BALIK-
PAPAN, EAST KALIMANTAN AND SEMARANG, CENTRAL JAVA.
FIVE OF THOSE SEVEN (ALL BUT MEDAN AND SEMARANG)
HAVE HINTERLANDS WHICH ARE VERY UNDERDEVELOPED,
WHICH NEED ALL TYPES OF IMPROVED COMMUNICATION
INCLUDING AIR TRANSPORT AND WHICH ARE SCHEDULED
TO BE RECIPIENTS OF LARGE NUMBERS OF TRANS-
MIGRANTS IN NEXT FIVE-YEAR PLAN (1979-1984).
MEDAN IS MAJOR TRADING AND COMMUNICATIONS SECTOR
FOR AN AREA OF NORTHERN SUMATRA WHOSE ECONOMIC
BASE IS NEARLY 80 PERCENT AGRICULTURE. SEMARANG IS
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PAGE 03 JAKART 11770 300707Z

SECOND LARGEST CITY IN INDONESIA, BUT ITS DE-
VELOPMENT HAS SUFFERED IN COMPARISON WITH OTHER
MAJOR JAVANESE CITIES. ITS ECONOMIC BASE IS
PRIMARILY AGRICULTURE.

5. IN SUMMARY, PROJECT IS A NECESSARY ONE TO
ASSIST GOI IN ITS POLICIES TO PROMOTE GENERAL
ECONOMIC DEVELOPMENT AND A MORE BALANCED REGIONAL
DEVELOPMENT. AIRPORT DEVELOPMENT WILL HELP MEET
IMPORTANT ECONOMIC, POLITICAL AND SOCIAL OBJEC-
TIVES IN INDONESIA. EMBASSY RECOMMENDS NAC
SUPPORT FOR THIS PROJECT.
GARDNER

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